

GREENE COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2014

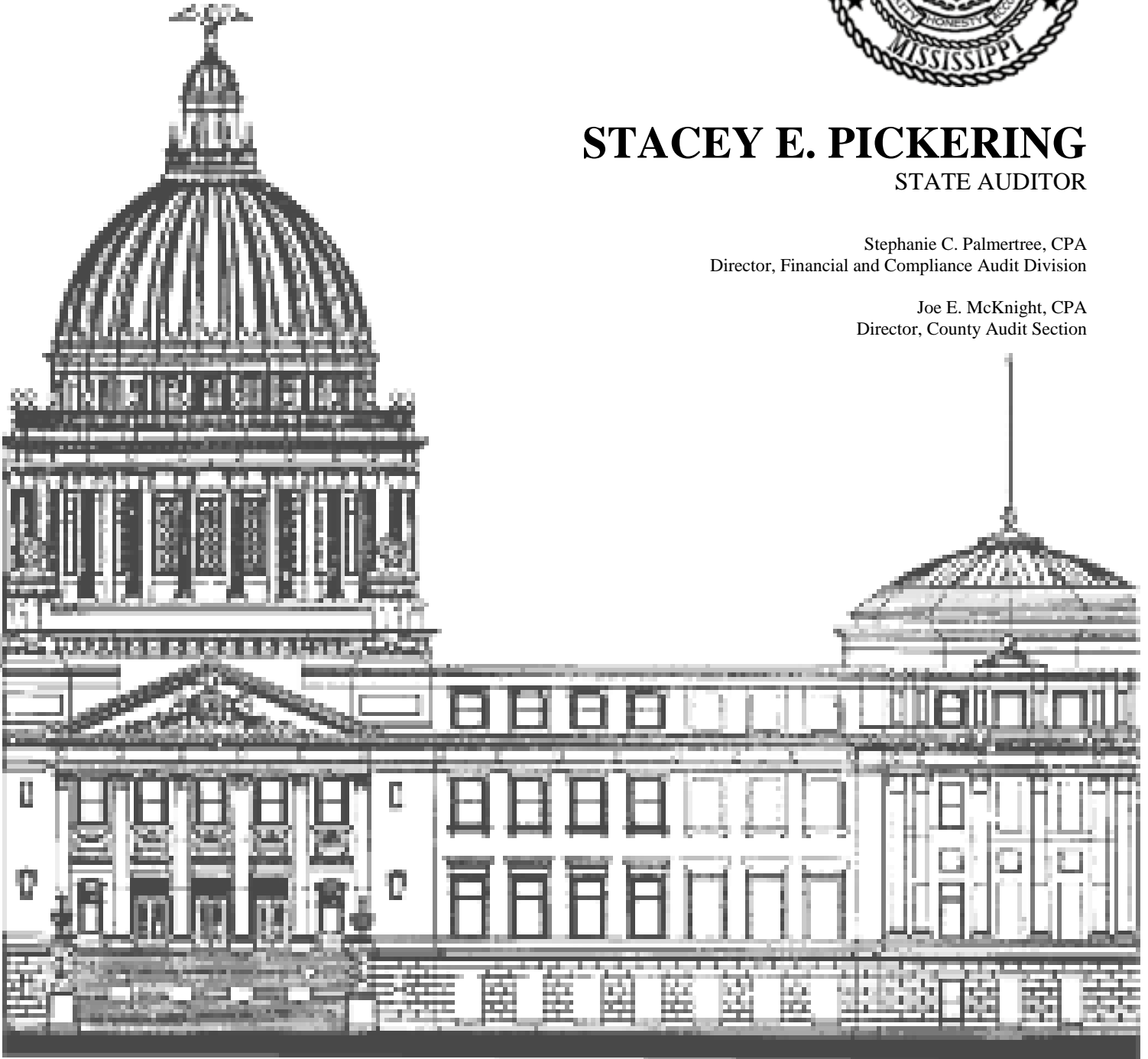


STACEY E. PICKERING

STATE AUDITOR

Stephanie C. Palmertree, CPA
Director, Financial and Compliance Audit Division

Joe E. McKnight, CPA
Director, County Audit Section





STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

July 21, 2016

Members of the Board of Supervisors
Greene County, Mississippi

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for Greene County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Greene County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Greene County. If I or this office can be of any further assistance, please contact me or Joe McKnight of my staff at (601) 576-2674.

Respectfully submitted,

Stacey E. Pickering
State Auditor

GREENE COUNTY

TABLE OF CONTENTS

FINANCIAL SECTION	1
INDEPENDENT AUDITOR’S REPORT	3
FINANCIAL STATEMENTS	7
Statement of Net Position.....	9
Statement of Activities	10
Balance Sheet – Governmental Funds.....	11
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	12
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	14
Statement of Net Position – Proprietary Fund.....	15
Statement of Revenues, Expenses and Changes Net Position - Proprietary Fund.....	16
Statement of Cash Flows – Proprietary Fund	17
Statement of Fiduciary Assets and Liabilities	18
Notes to Financial Statements	19
REQUIRED SUPPLEMENTARY INFORMATION	37
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) - General Fund	39
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) – Bonds for Construction of Hospital 2011 Fund.....	40
Notes to the Required Supplementary Information	41
OTHER INFORMATION	43
Schedule of Surety Bonds for County Officials	45
SPECIAL REPORTS.....	47
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	49
Independent Accountant’s Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972)).....	51
Limited Internal Control and Compliance Review Management Report	57
SCHEDULE OF FINDINGS AND RESPONSES	63

GREENE COUNTY

FINANCIAL SECTION

GREENE COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Greene County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Greene County, Mississippi, (the County) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinion on Governmental Activities, Business-Type Activities, and Solid Waste Fund

As discussed in Note 1(I) to the financial statements, the County did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets or records documenting the County's capital assets, including infrastructure, or records documenting depreciation on applicable assets in the governmental activities, business-type activities, and solid waste fund.

Accounting principles generally accepted in the United States of America require that adequate records must be maintained to document the existence, completeness, and valuation of capital assets including the County's capital assets, including infrastructure, and also that the depreciation on capital assets, be adequately documented. The amount by which this departure would affect the assets and expenses on the governmental activities, business-type activities, and solid waste is not reasonably determinable.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinions on Governmental Activities, Business-Type Activities, and Solid Waste Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, and Solid Waste Fund of Greene County, Mississippi, as of September 30, 2014, and the change in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, the Bonds for Construction of Hospital, and the aggregate remaining fund information of Greene County, Mississippi, as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedules and corresponding notes presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Omission of Required Supplementary Information

Greene County, Mississippi, has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

The Schedule of Surety Bonds for County Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2016, on our consideration of Greene County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Greene County, Mississippi's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Joe E. McKnight". The signature is fluid and cursive, with the first name "Joe" and last name "McKnight" clearly legible.

JOE E. McKNIGHT, CPA
Director, County Audit Section

July 21, 2016

GREENE COUNTY

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GREENE COUNTY

FINANCIAL STATEMENTS

GREENE COUNTY

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GREENE COUNTY
Statement of Net Position
September 30, 2014

Exhibit 1

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash	\$ 1,996,942	2,761	1,999,703
Restricted assets - Investments	376,501		376,501
Property tax receivable	4,305,376		4,305,376
Accounts receivable (net of allowance for uncollectibles of \$240,325)		221,070	221,070
Fines receivable (net of allowance for uncollectibles of \$270,840)	248,140		248,140
Intergovernmental receivables	95,861		95,861
Other receivables	4,815		4,815
Internal balances	21,493	(21,493)	0
Capital assets:			
Land and construction in progress	133,458	6,040	139,498
Other capital assets, net	18,067,527	283,081	18,350,608
Total Assets	25,250,113	491,459	25,741,572
LIABILITIES			
Claims payable	77,172	12,666	89,838
Intergovernmental payables	103,294		103,294
Accrued interest payable	81,040		81,040
Unearned revenue	7,995	43,473	51,468
Amounts held in custody for others	134,183		134,183
Due within one year:			
Capital debt	1,695,407	53,756	1,749,163
Non-capital debt	104,500		104,500
Due in more than one year:			
Capital debt	6,004,769	154,460	6,159,229
Non-capital debt	870,500		870,500
Total Liabilities	9,078,860	264,355	9,343,215
DEFERRED INFLOWS OF RESOURCES			
Property tax for future reporting period	4,305,376		4,305,376
Total deferred inflows of resources	4,305,376	0	4,305,376
NET POSITION			
Net investment in capital assets	10,500,809	80,905	10,581,714
Restricted for:			
Expendable:			
General government	32,946		32,946
Public safety	105,088		105,088
Public works	1,084,462	146,199	1,230,661
Economic development and assistance	347		347
Education	1,146		1,146
Debt service	344,162		344,162
Unrestricted	(203,083)		(203,083)
Total Net Position	\$ 11,865,877	227,104	12,092,981

The notes to the financial statements are an integral part of this statement.

GREENE COUNTY
Statement of Activities
For the Year Ended September 30, 2014

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 3,077,308	369,367	11,042		(2,696,899)		(2,696,899)
Public safety	1,437,704	175,159	563,877		(698,668)		(698,668)
Public works	3,163,837		726,641	115,890	(2,321,306)		(2,321,306)
Health and welfare	25,139				(25,139)		(25,139)
Education	147,362				(147,362)		(147,362)
Conservation of natural resources	336,740				(336,740)		(336,740)
Interest on long-term debt	291,548				(291,548)		(291,548)
Total Governmental Activities	<u>8,479,638</u>	<u>544,526</u>	<u>1,301,560</u>	<u>115,890</u>	<u>(6,517,662)</u>		<u>(6,517,662)</u>
Business-type activities:							
Solid waste	610,125	499,897				(110,228)	(110,228)
Total Business-type Activities	<u>610,125</u>	<u>499,897</u>	<u>0</u>	<u>0</u>		<u>(110,228)</u>	<u>(110,228)</u>
Total Primary Government	<u>\$ 9,089,763</u>	<u>1,044,423</u>	<u>1,301,560</u>	<u>115,890</u>	<u>(6,517,662)</u>	<u>(110,228)</u>	<u>(6,627,890)</u>
General revenues:							
Property taxes					\$ 5,485,591	2,722	5,488,313
Road & bridge privilege taxes					135,270		135,270
Grants and contributions not restricted to specific programs					499,782		499,782
Unrestricted interest income					14,078		14,078
Miscellaneous					827,778	990	828,768
Transfers					(42,482)	42,482	0
Total General Revenues and Transfers					<u>6,920,017</u>	<u>46,194</u>	<u>6,966,211</u>
Changes in Net Position					<u>402,355</u>	<u>(64,034)</u>	<u>338,321</u>
Net Position - Beginning, as previously reported					6,598,075	291,138	6,889,213
Prior period adjustments					4,865,447	0	4,865,447
Net Position - Beginning, as restated					<u>11,463,522</u>	<u>291,138</u>	<u>11,754,660</u>
Net Position - Ending					<u>\$ 11,865,877</u>	<u>227,104</u>	<u>12,092,981</u>

The notes to the financial statements are an integral part of this statement.

GREENE COUNTY
Balance Sheet - Governmental Funds
September 30, 2014

Exhibit 3

	Major Funds			
	General Fund	Bonds for Construction of Hospital 2011 Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 400,478	43,326	1,553,138	1,996,942
Restricted assets - investments		376,501		376,501
Property tax receivable	1,924,009	293,607	2,087,760	4,305,376
Fines receivable (net of allowance for uncollectibles of \$270,840)	248,140			248,140
Intergovernmental receivables	95,861			95,861
Other receivables	4,815			4,815
Due from other funds	222,230	5,131	161,721	389,082
Advances to other funds	312,672		340,767	653,439
Total Assets	\$ 3,208,205	718,565	4,143,386	8,070,156
LIABILITIES				
Liabilities:				
Claims payable	\$ 45,820		31,352	77,172
Intergovernmental payables	89,120			89,120
Due to other funds	93,109	120,000	233,381	446,490
Advances from other funds	130,941		457,771	588,712
Unearned revenue	7,995			7,995
Amounts held in custody for others	134,183		0	134,183
Total Liabilities	501,168	120,000	722,504	1,343,672
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - property taxes	1,924,009	293,607	2,087,760	4,305,376
Unavailable revenue - fines	248,140			248,140
Total deferred inflows of resources	2,172,149	293,607	2,087,760	4,553,516
Fund balances:				
Nonspendable:				
Advances	312,672			312,672
Restricted for:				
General government			32,946	32,946
Public safety			105,088	105,088
Public works			1,084,462	1,084,462
Education			1,146	1,146
Economic development and assistance			347	347
Debt service		304,958	120,244	425,202
Unassigned	222,216		(11,111)	211,105
Total Fund Balances	534,888	304,958	1,333,122	2,172,968
Total Liabilities and Fund Balances	\$ 3,208,205	718,565	4,143,386	8,070,156

GREENE COUNTY

Exhibit 3-1

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2014

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 2,172,968
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$0.	18,200,985
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	248,140
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(8,675,176)
Accrued interest payable is not due and payable in the current period and; therefore, are not reported in the funds.	<u>(81,040)</u>
Total Net Position - Governmental Activities	\$ <u><u>11,865,877</u></u>

The notes to the financial statements are an integral part of this statement.

GREENE COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2014

	Major Funds			
	General Fund	Bonds for Construction of Hospital 2011 Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 2,539,217	182,161	2,764,213	5,485,591
Road and bridge privilege taxes			135,270	135,270
Licenses, commissions and other revenue	126,386			126,386
Fines and forfeitures	245,332		35,006	280,338
Intergovernmental revenues	531,938	2,218	1,383,076	1,917,232
Charges for services	6,311		119,789	126,100
Interest income	7,931	6,147		14,078
Miscellaneous revenues	776,576		51,202	827,778
Total Revenues	4,233,691	190,526	4,488,556	8,912,773
EXPENDITURES				
Current:				
General government	2,823,870		98,717	2,922,587
Public safety	926,902		674,520	1,601,422
Public works			3,755,344	3,755,344
Health and welfare	160,672	1,914,632		2,075,304
Education	12,857		134,505	147,362
Conservation of natural resources	336,740			336,740
Debt service:				
Principal	6,297		674,152	680,449
Interest	336	183,838	103,179	287,353
Total Expenditures	4,267,674	2,098,470	5,440,417	11,806,561
Excess of Revenues over (under) Expenditures	(33,983)	(1,907,944)	(951,861)	(2,893,788)
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	165,750	700,000	380,040	1,245,790
Compensation for loss of capital assets	16,972			16,972
Proceeds from sale of capital assets	24,434		124,154	148,588
Transfers in	181,841	63,709	131,039	376,589
Transfers out	(192,230)		(226,841)	(419,071)
Total Other Financing Sources and Uses	196,767	763,709	408,392	1,368,868
Net Changes in Fund Balances	162,784	(1,144,235)	(543,469)	(1,524,920)
Fund Balances - Beginning, as restated	372,104	1,449,193	1,876,591	3,697,888
Fund Balances - Ending	\$ 534,888	304,958	1,333,122	2,172,968

The notes to the financial statements are an integral part of this statement.

GREENE COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2014

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (1,524,920)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$2,805,390 exceeded depreciation of \$0 in the current period.	2,805,390
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss of \$154,720 and the proceeds from the sale of \$148,588 and the compensation for loss of capital assets of \$16,972 in the current period.	(320,280)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	11,702
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt proceeds of \$1,245,790 exceeded debt repayments of \$680,449.	(565,341)
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
The amortization of bond discount	(4,823)
The amount of decrease in accrued interest payable	628
Rounding	<u>(1)</u>
Change in Net Position of Governmental Activities	\$ <u><u>402,355</u></u>

The notes to the financial statements are an integral part of this statement.

GREENE COUNTY
Statement of Net Position - Proprietary Fund
September 30, 2014

Exhibit 5

	Business-type Activities- Enterprise Fund
	Solid Waste Fund
ASSETS	
Current assets:	
Cash	\$ 2,761
Accounts receivable (net of allowance for uncollectibles of \$240,325)	221,070
Due from other funds	11
Total Current Assets	<u>223,842</u>
Noncurrent assets:	
Capital assets:	
Land and construction in progress	6,040
Other capital assets, net	<u>283,081</u>
Total Noncurrent Assets	<u>289,121</u>
Total Assets	<u>512,963</u>
LIABILITIES	
Current liabilities:	
Claims payable	12,666
Due to other funds	3,918
Advances from other funds	17,586
Unearned revenue	43,473
Capital debt:	
Capital leases payable	<u>53,756</u>
Total Current Liabilities	<u>131,399</u>
Noncurrent liabilities:	
Capital debt:	
Capital leases payable	<u>154,460</u>
Total Noncurrent Liabilities	<u>154,460</u>
Total Liabilities	<u>285,859</u>
NET POSITION	
Net investment in capital assets	80,905
Restricted for:	
Public works	<u>146,199</u>
Total Net Position	<u>\$ 227,104</u>

The notes to the financial statements are an integral part of this statement.

GREENE COUNTY

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund
For the Year Ended September 30, 2014

Exhibit 6

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Fund</u>
Operating Revenues	
Charges for services	\$ 499,897
Miscellaneous	990
Total Operating Revenues	<u>500,887</u>
Operating Expenses	
Cost of sales	
Personal services	266,032
Contractual services	146,032
Materials and supplies	135,651
Depreciation expense	52,191
Indirect administrative cost	3,918
Total Operating Expenses	<u>603,824</u>
Operating Income (Loss)	<u>(102,937)</u>
Nonoperating Revenues (Expenses)	
Property tax	2,722
Interest expense	(6,301)
Net Nonoperating Revenue (Expenses)	<u>(3,579)</u>
Net Income (Loss) Before Transfers	(106,516)
Transfers in	42,482
Changes in Net Position	<u>(64,034)</u>
Net Position - Beginning	<u>291,138</u>
Net Position - Ending	<u>\$ 227,104</u>

The notes to the financial statements are an integral part of this statement.

GREENE COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2014

Exhibit 7

	Business-type Activities - Enterprise Fund
	Solid Waste Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 479,026
Payments to suppliers	(279,875)
Payments to employees	(266,032)
Other operating cash receipts	990
Net Cash Provided (Used) by Operating Activities	(65,891)
Cash Flows From Noncapital Financing Activities	
Cash received from property taxes	2,722
Cash received from other funds:	
Operating transfers in	42,482
Net Cash Provided (Used) by Noncapital Financing Activities	45,204
Cash Flows From Capital and Related Financing Activities	
Proceeds of long-term debt	69,600
Principal paid on long-term debt	(54,807)
Interest paid on debt	(6,301)
Net Cash Provided (Used) by Capital and Related Financing Activities	8,492
Net Increase (Decrease) in Cash and Cash Equivalents	(12,195)
Cash and Cash Equivalents at Beginning of Year	14,956
Cash and Cash Equivalents at End of Year	\$ 2,761
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (102,937)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	52,191
Provision for uncollectible accounts	28,348
Changes in assets and liabilities:	
Decrease (increase) in accounts receivable	(50,086)
Decrease (increase) in due from other funds	2,262
Increase (decrease) in claims payable	1,809
Increase (decrease) in unearned revenue	(1,396)
Increase (decrease) in due to other funds	(120)
Increase (decrease) in advances from other funds	4,038
Total Adjustments	37,046
Net Cash Provided (Used) by Operating Activities	\$ (65,891)
Noncash Capital Financing Activity:	
Greene County lease purchased mobile equipment for \$69,600 for 4 years at 2.14% interest.	
Principal payments of \$54,807 were made on the lease during the year.	

The notes to the financial statements are an integral part of this statement.

GREENE COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2014

Exhibit 8

		Agency Funds
ASSETS		
Cash	\$	22,502
Due from other funds		61,315
Advances to other funds		2,273
Other receivables		16,469
Total Assets	\$	<u>102,559</u>
LIABILITIES		
Intergovernmental payables	\$	53,145
Advances from other funds		49,414
Total Liabilities	\$	<u>102,559</u>

The notes to the financial statements are an integral part of this statement.

GREENE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Greene County, Mississippi (the County) is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Greene County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County. There are no outside organizations that should be included as component units of the County's reporting entity.

State law pertaining to County government provides for the independent election of County officials. The following elected and appointed officials are all part of the County legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Basis of Presentation.

The County's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

The Statement of Net Position presents the financial condition of the governmental activities and business-type activities of the County at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the County's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the County.

GREENE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

C. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the County. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The County reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Bonds for Construction of Hospital 2011 Fund - This fund is used to account for bond proceeds and subsequent expenditures in relation to the construction of hospital facilities.

The County reports the following major Enterprise Fund:

Solid Waste Fund - This fund is used to account for the County's activities of disposal of solid waste within the County.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

GREENE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

PROPRIETARY FUND TYPE

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the County has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the County, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 by the Government Finance Officers Association.

E. Deposits and Investments.

State law authorizes the County to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any County, municipality or school district of this state. Further, the County may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value.

F. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in the General Fund, if applicable, to indicate that they are not available for appropriation and are not expendable available financial resources. However, this is not applicable to advances reported in other governmental funds, which are reported, by definition, as restricted, committed, or assigned. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

GREENE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

H. Restricted Assets.

Governmental Fund assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions, and donor specifications have been reported as restricted assets. Certain proceeds of the County's governmental fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "capitalized interest" account is funded by bank bond proceeds and is used to pay the related interest due on revenue bonds prior to the completion of construction of the project. The "debt service reserve" account is used to report resources set aside to subsidize potential deficiencies from the County's operation that could adversely affect debt service payments. When both restricted and nonrestricted assets are available for use, the policy is to use the restricted assets first.

I. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the applicable governmental activities or business-type activities column in the government-wide financial statements. The County did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets or records documenting the County's infrastructure, or records documenting depreciation on applicable assets. Also, capital assets do not include any amounts for infrastructure. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Greene County meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. Furthermore, capital assets do not include any amounts for infrastructure.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the County's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year.

The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years

GREENE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

	Capitalization Thresholds	Estimated Useful Life
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

J. Deferred Outflows/Inflows of Resources.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred amount on refunding – For current refunding's and advance refunding's resulting in defeasance of debt reported by governmental activities, business type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. However, the County did not have a deferred amount on refunding for the year ended September 30, 2014.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time.

Property tax for future reporting period/unavailable revenue – property taxes – Deferred inflows of resources should be reported when resources associated with imposed nonexchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

Unavailable revenue – fines – When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

K. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

GREENE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

L. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as Net Position and displayed in three components:

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position not meeting the definition of “restricted” or “net investment in capital assets.”

Net Position Flow Assumption:

When an expense is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County’s general policy to use restricted resources first. When expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County’s general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the County:

Nonspendable fund balance includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

GREENE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

Fund Balance Flow Assumption:

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

M. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the County. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

N. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

O. Compensated Absences.

The County has adopted a policy of compensation for accumulated unpaid employee benefits; however, adequate records are not maintained for determining the amount of the liability. Therefore, no liability is recorded in the accompanying financial statements as required by accounting principles generally accepted in the United States of America. We believe the effects of the unrecorded liability on the financial statements are immaterial.

P. Changes in Accounting Standards

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement 65, *Items Previously Reported as Assets and Liabilities*; GASB Statement 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*. The provisions of these standards have been incorporated into the financial statements and notes.

GREENE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

(2) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities – Governmental Activities.

<u>Explanation</u>	<u>Amount</u>
To correct errors from incorrect recording of capital assets in the prior period.	\$ 5,109,248
Implementation of <i>GASB Statement 65, Items Previously Reported as Assets and Liabilities</i> .	<u>(243,801)</u>
Total prior period adjustments	<u>\$ 4,865,447</u>

(3) Deposits and Investments.

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2014, was \$2,022,205, and the bank balance was \$2,728,307. The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the County. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

Investments:

As provided in Section 91-13-8, Miss. Code Ann. (1972), the following investments of the County are handled through a trust indenture between the County and the trustee related to the operations of the Greene County Rural Health Center.

Investment balances at September 30, 2014, are as follows:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
Certificates of Deposit	Two Years	\$ <u>376,501</u>	None

Interest Rate Risk. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to those authorized by Section 19-9-29 and 91-13-8, Miss. Code Ann. (1972). The County does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

GREENE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

Custodial Credit Risk – Investments. Custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the County. Bank certificates of deposit above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2014:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Bonds for Construction of Hospital 2011 Fund	\$ 120,000
General Fund	Other Governmental Funds	98,312
General Fund	Solid Waste	3,918
Bonds for Construction of Hospital 2011 Fund	General Fund	2,913
Bonds for Construction of Hospital 2011 Fund	Other Governmental Funds	2,218
Other Governmental Funds	General Fund	82,015
Other Governmental Funds	Other Governmental Funds	79,706
Solid Waste	General Fund	11
Agency Funds	General Fund	8,170
Agency Funds	Other Governmental Funds	53,145
Total		\$ <u>450,408</u>

The receivables represent the tax revenue collected in September 2014, but not settled until October, 2014, posting errors, indirect costs charged to solid waste, privilege taxes owed to other funds, and loans made by the general fund. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 247,095
General Fund	Agency Funds	47,991
General Fund	Solid Waste	17,586
Other Governmental Funds	General Fund	130,941
Other Governmental Funds	Other Governmental Funds	209,826
Agency Funds	Other Governmental Funds	850
Agency Funds	Agency Funds	1,423
Total		\$ <u>655,712</u>

The interfund advances balances consists of operating loans from the General Funds to other governmental funds, solid waste fund, agency fund to cover payroll for a former Chancery Clerk, a receivable was created due to a transfer made from the payroll clearing fund to the General Fund, and interfund expenses and revenues charged to the incorrect fund.

GREENE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 181,841
Bonds for Construction of Hospital 2011 Fund	General Fund	63,709
Other Governmental Funds	General Fund	86,039
Other Governmental Funds	Other Governmental Funds	45,000
Solid Waste	General Fund	42,482
Total		<u>\$ 419,071</u>

The principal purpose of interfund transfers was to provide funds for grant matches or to provide funds to pay for capital outlay. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2014, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 75,365
Emergency Management Performance Grant	<u>20,496</u>
Total Governmental Activities	<u>\$ 95,861</u>

(6) Restricted Assets.

The balances of the restricted asset accounts in the Bonds for Construction of Hospital 2011 Fund are as follows:

Capitalized interest	\$ 6
Debt service reserve	<u>376,495</u>
Total restricted assets	<u>\$ 376,501</u>

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2014:

Governmental activities:

	<u>Balance Oct. 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments*</u>	<u>Balance Sept. 30, 2014</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 133,458				133,458
Total non-depreciable capital assets	<u>133,458</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>133,458</u>
<u>Depreciable capital assets:</u>					
Buildings	2,903,121	2,050,165		5,810,998	10,764,284
Mobile equipment	4,257,353	134,612	160,602	(460,840)	3,770,523

GREENE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

	Balance Oct. 1, 2013	Additions	Deletions	Adjustments*	Balance Sept. 30, 2014
Furniture and equipment	824,338	137,968		(172,425)	789,881
Leased property under capital leases	2,488,357	482,645	159,678	(68,485)	2,742,839
Total depreciable capital assets	10,473,169	2,805,390	320,280	5,109,248	18,067,527
<u>Less accumulated depreciation for:</u>					
Buildings					
Mobile equipment					
Leased property under capital leases					
Total accumulated depreciation	0	0	0	0	0
Total depreciable capital assets, net	10,473,169	2,805,390	320,280	5,109,248	18,067,527
Governmental activities capital assets, net	\$ 10,606,627	2,805,390	320,280	5,109,248	18,200,985

See Note 1 (I) for additional discussion regarding governmental activities capital assets.

* Adjustments in governmental activities capital assets were due to incorrect recording of fair value assets and improper classification.

Business-type activities:

	Balance Oct. 1, 2013	Additions	Deletions	Adjustments	Balance Sept. 30, 2014
<u>Non-depreciable capital assets:</u>					
Land	\$ 6,040				6,040
Total non-depreciable capital assets	6,040	0	0	0	6,040
<u>Depreciable capital assets:</u>					
Buildings	50,000				50,000
Mobile equipment	433,992				433,992
Furniture and equipment	10,000				10,000
Leased property under capital leases	248,393				284,393
Total depreciable capital assets	778,385	0	0	0	778,385
<u>Less accumulated depreciation for:</u>					
Buildings	13,000	1,000			14,000
Mobile equipment	369,922				369,922
Furniture and equipment	9,000				9,000
Leased property under capital leases	51,191	51,191			102,382
Total accumulated depreciation	443,113	52,191	0	0	495,304
Total depreciable capital assets, net	335,272	-52,191	0	0	283,081
Business-type activities capital assets, net	\$ 341,312	-52,191	0	0	289,121

GREENE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

See Note 1(I) for additional discussion regarding business-type activities capital assets.

Depreciation expense was charged to the following functions:

Solid Waste Fund	\$ <u>52,191</u>
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(8) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2014, to January 1, 2015. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(9) Operating Leases.

As Lessor:

Greene County entered into a lease agreement with the George Regional Health System dated October 27, 2007. George Regional Health System leased the premises of Greene County Hospital for the purpose of operating the health care facility, including, but not limited to, a Hospital, twenty-four hour emergency department and a nursing home.

The lease commenced on August 1, 2008 and terminates on December 31, 2017. The annual rental, for the first five years, shall be \$498,000 payable in twelve equal installments in advance on the first day of each month for that month's rental. The annual rent, for years 6-10, shall increase by \$5,000 per year wherein the annual rental shall total \$503,000 for year 6, \$508,000 for year 7, \$513,000 for year 8, \$518,000 for year 9 and \$523,000 for year 10.

The lease contains two options to renew for an additional ten years each, for a total of twenty years after the initial term at a rental equaling the amount of the initial rent, plus the compounded annual adjustments, which said adjustments (said adjustment being an increase of \$5,000 per year) shall continue through the initial term and each renewal lease to be in the same as those in this lease agreement. The parties agree that this agreement shall automatically renew or extend for a period of ten years after the initial term in accordance with the agreement, unless George Regional Health Facility gives the County written notice of its intention to terminate this lease agreement at least ninety days before the lease agreement expires.

Greene County entered into an amendment to this agreement on September 15, 2011. The Lessor will acquire \$4,000,000 for expansion of the facility which will be amortized over thirty years. As consideration for acquiring the debt, and making improvement to the facility, the lessee will pay \$15,000 per month, in addition to the original lease agreement. The first payment for the debt associated with the expansion shall be in November 2012, or whenever the Lessee occupies the new space, whichever is sooner.

GREENE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

As Lessor:

The County receives income from property it leases under noncancellable operating leases. Total income from such leases was \$498,000 for the year ended September 30, 2014. The future minimum lease receivables for these leases are as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2015	\$ 508,833
2016	513,833
2017	518,833
2018	<u>435,833</u>
Total Minimum Payments Required	\$ <u><u>1,977,332</u></u>

(10) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2014:

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Mobile equipment	\$ 2,742,839	284,393
Less: Accumulated depreciation	<u>0</u>	<u>102,382</u>
Leased Property Under Capital Leases	\$ <u><u>2,742,839</u></u>	<u><u>182,011</u></u>

The following is a schedule by years of the total payments due as of September 30, 2014:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 1,274,068	34,653	53,756	4,671
2016	430,463	9,282	136,499	1,868
2017	119,443	4,430	17,961	209
2018	136,395	1,034		
2019	<u>2,545</u>	<u>286</u>		
Total	\$ <u><u>1,960,369</u></u>	<u><u>49,399</u></u>	<u><u>208,216</u></u>	<u><u>6,748</u></u>

GREENE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

(11) Long-term Debt.

Debt outstanding as of September 30, 2014, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
General Obligation Katrina Loan Refunding Bonds, Series 2010	975,000	4.35%	03/2022
General Obligation Bonds, Series 2010 (Justice Court Building)	236,000	3.75%	01/2020
Total General Obligation Bonds	<u>\$ 1,211,000</u>		
B. Limited Obligation Bonds:			
Taxable Special Obligation Bonds	<u>\$ 4,550,000</u>	4.86%	11/2031
C. Capital Leases:			
Chevrolet Tahoe	\$ 19,453	1.95%	01/2017
Tractor & Rotary Cutter	18,586	5.75%	12/2015
Motorgrader – District 1	171,719	3.00%	03/2015
Motorgrader – District 2	8,791	3.39%	05/2015
Motorgrader – District 3	163,025	3.00%	04/2015
Ford F-150 Truck	13,996	3.04%	04/2016
Backhoe – District 3	71,581	3.00%	07/2015
Kubota Tractor	14,203	3.04%	08/2016
Ford F550 Truck	10,853	3.04%	04/2016
Motorgrader – District 4	162,943	3.00%	04/2015
Motorgrader – District 5	164,233	3.00%	07/2015
4300F Caterpillar Backhoe Loader – District 1	93,378	1.95%	08/2017
Excavator – District 1	140,156	1.78%	09/2015
Excavator – District 3	140,157	1.78%	09/2015
Backhoe – District 4	87,563	1.89%	12/2018
Motorgrader – District 3	89,545	1.89%	01/2016
Motorgrader – District 5	219,388	1.74%	07/2016
430F Caterpillar Backhoe Loader – District 5	91,275	2.10%	03/2018
(2) John Deere Tractors – District 1	62,781	1.81%	02/2016
(2) John Deere Tractors – District 5	62,781	1.81%	02/2016
2007 Daewoo Excavator – District 2	21,807	1.55%	11/2016
Tractor & (2) Dump Trucks	36,449	1.55%	11/2016
Alamo 17' Versa Boom w/ Cable	31,685	1.95%	03/2017
Kubota Tractor	42,287	2.14%	05/2018
Backhoe	21,734	2.15%	07/2016
Total Capital Leases	<u>\$ 1,960,369</u>		
D. Other Loans:			
Fire Truck Loan	\$ 514	2.00%	01/2015
Loan – Singing River	195,278	0.00%	07/2019
Loan – Hospital Renovation	700,000	2.25-3.20%	04/2019
Loan – Laundry Construction	140,000	2.75%	04/2019
Total Other Loans	<u>\$ 1,035,792</u>		

GREENE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Business-type Activities:			
A. Capital Leases:			
2009 Freightliner Garbage Truck	\$ 52,754	2.14%	10/2017
Mack Garbage Truck	142,853	2.69%	02/2016
Ford F-150 Truck	12,609	1.73%	05/2015
Total Capital Leases	\$ 208,216		

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Position are as follows:

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2015	\$ 140,500	48,314	190,000	181,588
2016	146,100	42,300	195,000	179,213
2017	151,800	36,046	200,000	175,800
2018	158,700	29,527	205,000	171,300
2019	165,900	22,712	210,000	166,175
2020 – 2024	448,000	27,732	1,140,000	729,012
2025 – 2029			1,395,000	476,463
2030 – 2034			1,015,000	108,414
Total	\$ 1,211,000	206,631	4,550,000	2,187,965

Year Ending September 30	Other Loans	
	Principal	Interest
2015	\$ 200,162	24,302
2016	204,248	19,691
2017	209,002	14,935
2018	213,840	10,097
2019	208,540	5,121
Total	\$ 1,035,792	74,146

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a County issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2014, the amount of outstanding debt was equal to 1.44% of the latest property assessments.

GREENE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2014:

	Balance Oct. 1, 2013	Additions	Reductions	Adjustments*	Balance Sept. 30, 2014	Amount due within one year
Governmental Activities:						
General obligation bonds	\$ 1,345,100		134,100		1,211,000	140,500
Less:						
Discounts	(86,808)		(4,823)		(81,985)	(4,823)
Limited obligation bonds	4,550,000				4,550,000	190,000
Capital leases	2,050,594	405,790	496,015		1,960,369	1,274,068
Other loans	246,125	840,000	50,334	1	1,035,792	200,162
Total	\$ 8,105,011	1,245,790	675,626	1	8,675,176	1,799,907
Business-type Activities:						
Capital leases	\$ 193,423	69,600	54,807	0	208,216	53,756

*Adjustment is due to rounding.

(12) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2014:

Fund	Deficit Amount
Computer Fund	\$ 5,111
DUI Grant Fund	14,350
Forestry Commission Grant – Fuel Reduction	735
Homeland Security Fund	22,280
Museum Archives & History Grant	37,337
Road District Three Fund	30,285
Bridge & Culvert District 2	1,971
Bridge & Culvert District 3	6,023
Bridge & Culvert District 4	2,450

(13) Contingencies.

Federal Grants – The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the County. No provision for any liability that may result has been recognized in the County's financial statements.

Litigation - The County is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the County with respect to the various proceedings. However, the County's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the County.

GREENE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

General Obligation Debt Contingencies - The County guaranteed notes to provide funds for constructing a satellite campus for Jones County Junior College. Such debt is being retired from an ad valorem tax levied on the citizens of Greene County on behalf of Jones County Junior College and, therefore, is not reported as a liability of the County. However, because the notes are backed by the full faith, credit and taxing power of the County, the County remains contingently liable for its retirement. The principal amount of such debt outstanding at year end is as follows:

Description	Balance at Sept. 30, 2014
USDA Note	\$ 397,407
Singing River Note	60,000
Total	\$ <u>457,407</u>

(14) Joint Venture.

The County participates in the following joint venture:

Greene County, Mississippi is a participant with the Counties of Perry and Stone in a joint venture, authorized by section 39-3-9, Miss. Code Ann. (1972), to operate the Pine Forest Regional Library. The joint venture was created to provide free public library service to citizens of the respective counties, and is governed by a six-member board. Each County appoints two board members. By contractual agreement the County's appropriation to the joint venture was \$65,000. Complete financial statements for the Pine Forest Regional Library can be obtained from P. O. Box 1208; Richton, MS 39476.

(15) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Southeast Mississippi Air Ambulance District operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Marion, Pearl River, Perry, Stone and Walthall. The Greene County Board of Supervisors appoints one of nine members of the board of directors. There is no ongoing financial interest or responsibility for the appointing authorities. The County attributed \$32,354 for support of the district in fiscal year 2014.

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Greene County Board of Supervisors appoints one of the 27 members of the board of directors. The County contributed \$26,000 for support of the district in fiscal year 2014.

Pine Belt Mental Health Care Resources operates in a district composed of the Counties of Covington, Forest, Greene, Jefferson Davis, Jones, Lamar, Marion, Perry and Wayne. The Greene County Board of Supervisors appoints one of the nine members of the board of commissioners. The County appropriated \$21,000 for support of the entity in fiscal year 2014.

Jones County Junior College operates in a district composed of the Counties of Clarke, Covington, Greene, Jasper, Jones, Perry, Smith and Wayne. The Greene County Board of Supervisors appoints two of the 20 members of the college board of trustees. The County appropriated \$428,731 for maintenance, support and enlargement of the college in fiscal year 2014.

Mississippi Regional Housing Authority VIII operates in a district composed of the Counties of Covington, Forest, George, Greene, Hancock, Harrison, Jackson, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The governing body is a 15-member board of commissioners, one appointed by the board of supervisors of each of the member counties and one appointed at large. The Counties generally provide no financial support to the organization.

GREENE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

Gulf Coast Community Action Agency operates in the Counties of George, Greene, Hancock and Harrison. The agency's board is composed of 24 members, one each appointed by the Counties of George, Greene, Hancock and Harrison, and the Cities of Bay St. Louis, Biloxi, Gulfport and Pass Christian, with the remaining 16 appointed by the private sector. Most of the entity's funding comes through federal grants and the member governments provide only a modest amount of financial support when the grants require matching funds.

(16) Defined Benefit Pension Plan.

Plan Description. Greene County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2014, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2014, 2013 and 2012 were \$394,666, \$358,546 and \$299,688, respectively, equal to the required contributions for each year.

(17) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Greene County evaluated the activity of the County through July 21, 2016, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2014, the County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
4/3/2015	2.19%	\$ 248,802	Capital Lease	Ad Valorem
8/24/2015	2.51%	40,000	Capital Lease	Ad Valorem
8/24/2015	2.51%	126,000	Capital Lease	Ad Valorem
8/24/2015	2.51%	126,000	Capital Lease	Ad Valorem
9/29/2015	2.19%	229,769	Capital Lease	Ad Valorem
12/7/2015	2.07%	42,000	Capital Lease	Ad Valorem
1/27/2016	1.95%	137,561	Capital Lease	Ad Valorem
2/25/2016	2.47%	334,110	Capital Lease	Ad Valorem

GREENE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

GREENE COUNTY

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GREENE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2014
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive Negative
REVENUES				
Property taxes	\$ 2,620,153	2,620,153	2,560,341	(59,812)
Licenses, commissions and other revenue	130,800	130,800	118,315	(12,485)
Fines and forfeitures	250,000	250,000	251,456	1,456
Intergovernmental revenues	255,600	255,600	497,621	242,021
Charges for services	10,000	10,000	5,959	(4,041)
Interest income	55,000	55,000	7,909	(47,091)
Miscellaneous revenues	805,000	805,000	769,054	(35,946)
Total Revenues	<u>4,126,553</u>	<u>4,126,553</u>	<u>4,210,655</u>	<u>84,102</u>
EXPENDITURES				
Current:				
General government	2,530,003	2,530,003	2,817,516	(287,513)
Public safety	876,529	869,896	926,490	(56,594)
Health and welfare	1,151,414	1,151,414	159,428	991,986
Culture and recreation	78,606	78,606	78,196	410
Conservation of natural resources	113,107	113,107	339,958	(226,851)
Economic development and assistance	20,000	20,000	0	20,000
Debt service:				
Principal		6,297	6,297	0
Interest		336	336	0
Total Expenditures	<u>4,769,659</u>	<u>4,769,659</u>	<u>4,328,221</u>	<u>441,438</u>
Excess of Revenues over (under) Expenditures	<u>(643,106)</u>	<u>(643,106)</u>	<u>(117,566)</u>	<u>525,540</u>
OTHER FINANCING SOURCES (USES)				
Transfers in			733,434	733,434
Transfers out			(537,698)	(537,698)
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>195,736</u>	<u>195,736</u>
Net Change in Fund Balance	(643,106)	(643,106)	78,170	721,276
Fund Balances - Beginning	<u>(179,736)</u>	<u>(83,190)</u>	<u>317,299</u>	<u>400,489</u>
Fund Balances - Ending	<u>\$ (822,842)</u>	<u>(726,296)</u>	<u>395,469</u>	<u>1,121,765</u>

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

GREENE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Bonds for Construction of Hospital 2011 Fund
 For the Year Ended September 30, 2014
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 182,071	182,071	180,381	(1,690)
Total Revenues	<u>182,071</u>	<u>182,071</u>	<u>180,381</u>	<u>(1,690)</u>
EXPENDITURES				
Current:				
Health and welfare			2,129	(2,129)
Culture and recreation			1,922,349	(1,922,349)
Debt service:				
Interest			80,399	(80,399)
Total Expenditures	<u>0</u>	<u>0</u>	<u>2,004,877</u>	<u>(2,004,877)</u>
Excess of Revenues over (under) Expenditures	<u>182,071</u>	<u>182,071</u>	<u>(1,824,496)</u>	<u>(2,006,567)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in			700,000	700,000
Transfers out			(63,709)	(63,709)
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>636,291</u>	<u>636,291</u>
Net Change in Fund Balance	182,071	182,071	(1,188,205)	(1,370,276)
Fund Balances - Beginning	<u>4,063,930</u>	<u>1,616,303</u>	<u>1,616,303</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 4,246,001</u>	<u>1,798,374</u>	<u>428,098</u>	<u>(1,370,276)</u>

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

GREENE COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2014

UNAUDITED

A. Budgetary Information.

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the County, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The County's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

	Governmental Fund Types	
	General Fund	Bonds for Construction of Hospital 2011 Fund
Budget (Cash Basis)	\$ 78,170	(1,188,205)
Increase(Decrease)		
Net adjustments for revenue accruals	(321,401)	73,854
Net adjustments for expenditure accruals	406,015	(29,884)
GAAP Basis	\$ 162,784	(1,144,235)

GREENE COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2014

UNAUDITED

D. Excess of Actual Expenditures Over Budget in Individual Funds.

The following funds had an excess of actual expenditures over budget for the year ended September 30, 2014:

<u>Fund</u>	<u>Excess</u>
Bond for Construction of Hospital 2011 Fund	\$ <u>2,004,877</u>

The fund listed above is in violation of Section 19-11-17, Miss. Code Ann. (1972). However, the County has no liability associated with these violations.

GREENE COUNTY

OTHER INFORMATION

GREENE COUNTY

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GREENE COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2014
UNAUDITED

Name	Position	Company	Bond
Beat 1 Gary L Dearman	Supervisor District 1	Western Surety	\$100,000
Beat 2 William Morris Hill	Supervisor District 2	Ohio Casualty	\$100,000
Beat 3 Vince West	Supervisor District 3	Western Surety	\$100,000
Beat 4 Wayne Barrow	Supervisor District 4	Ohio Casualty	\$100,000
Beat 5 Harold Cook	Supervisor District 5	Ohio Casualty	\$100,000
Michelle Eubanks	Chancery Clerk	Ohio Casualty	\$100,000
Pearl Lavon Pringle	Purchase Clerk	Ohio Casualty	\$75,000
Angela Pearce	Receiving Clerk	Ohio Casualty	\$75,000
Harvey Grimes	Assistant Receiving Clerk	Ohio Casualty	\$75,000
Dorothy Woods	Assistant Receiving Clerk	Western Surety	\$75,000
Anthony Pulliam	Assistant Receiving Clerk	Ohio Casualty	\$75,000
Pascal Walters	Assistant Receiving Clerk	Ohio Casualty	\$75,000
Roland Neel	Assistant Receiving Clerk	Ohio Casualty	\$75,000
Patti Zehner	Inventory Control Clerk	Ohio Casualty	\$75,000
Harvey Grimes	Road Manager	Ohio Casualty	\$75,000
Dorothy Woods	Road Manager	Western Surety	\$75,000
Anthony Pulliam	Road Manager	Ohio Casualty	\$75,000
Pascal Walters	Road Manager	Ohio Casualty	\$75,000
Roland Neel	Road Manager	Ohio Casualty	\$75,000
Ryan Walley	Constable	Ohio Casualty	\$50,000
Josh Miller	Constable	Ohio Casualty	\$50,000
Cecilia Bounds	Circuit Clerk	Ohio Casualty	\$80,000
Renee Green	Deputy Circuit Clerk	Western Surety	\$50,000
Pertina Benjamin	Deputy Circuit Clerk	Western Surety	\$50,000
Stanley McLeod	Sheriff	Ohio Casualty	\$100,000
L Joe Beard	Justice Court Judge	Ohio Casualty	\$50,000
Wade Jeffrey Byrd	Justice Court Judge	Ohio Casualty	\$50,000
Rita Walley	Justice Court Clerk	Ohio Casualty	\$50,000
Brena Moreno	Deputy Justice Court Clerk	Ohio Casualty	\$50,000
Mark Holder	Tax Collector-Assessor	Ohio Casualty	\$100,000
Ashley Young	Deputy Tax Assessor-Collector	Ohio Casualty	\$50,000
Vonda Matthews	Deputy Tax Assessor-Collector	Western Surety	\$25,000
Tammy Kittrell	Deputy Tax Assessor-Collector	Western Surety	\$25,000
Melanie J. Hession	Deputy Tax Assessor-Collector	Western Surety	\$75,000

GREENE COUNTY

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GREENE COUNTY

SPECIAL REPORTS

GREENE COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors
Greene County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Greene County, Mississippi, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated July 21, 2016. The report is qualified on the governmental activities, business-type activities, and Solid Waste Fund because the County did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets as required by accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Greene County, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2014-001, 2014-002, 2014-003 and 2014-004 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2014-005 and 2014-006 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Greene County, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as item 2014-001.

We also noted certain matters which we have reported to the management of Greene County, Mississippi, in the Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated July 21, 2016, included within this document.

Greene County's Responses to Findings

Greene County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses, Greene County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

July 21, 2016



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

**INDEPENDENT ACCOUNTANT'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Greene County, Mississippi

We have examined Greene County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2014. The Board of Supervisors of Greene County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Greene County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

The County did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our audit procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

Inventory Clerk

1. The County Should Maintain Adequate Capital Asset Subsidiary Records.

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the County to develop and maintain an inventory control system. As reported in the prior eleven years' audit reports, capital asset control procedures were inadequate for

maintaining an accurate inventory or adequate subsidiary records documenting the existence, valuation, and completeness of capital assets. We noted the following deficiencies in the policies and procedures of the internal control structure for capital assets:

- A. The list of County capital assets did not agree to the indicated total assets values of the prior years' balances.
- B. Net capital asset adjustments totaled \$1,077,896 (governmental activities) and \$61,873 (business-type activities) to reconcile to the available County's inventory listing.
- C. Observations during our test of additions revealed:
 - 1. \$4,547,339 in governmental activities capital assets not included in the acquisition ledger; and
 - 2. \$79,572 in governmental activities capital assets the purchase of which was not authorized by the Board of Supervisors.
- D. Depreciation expense is not recorded for governmental activities and the maintenance of depreciation is inconsistent with state guidelines.
- E. Observations during the audit existence and completeness test revealed that several assets were sold and were still on inventory while several other items were found in the field test that we could not locate on the inventory listing.
- F. Observation during the audit existence test revealed that there were several assets that did not have County decals on them.

Therefore, the Independent Auditor's Report on the governmental activities, business-type activities and Solid Waste Fund financial statements are qualified because we were unable to satisfy ourselves as to the fair presentation of the County's investment in capital assets. The failure to maintain an effective inventory control system could result in the reporting of inaccurate amounts and increases the possibility of loss or misappropriation of public funds.

Recommendation

The Board of Supervisors should establish control procedures to ascertain the historical and/or estimated cost of capital assets and to maintain accurate inventory records documenting the existence, valuation, and completeness of capital assets. Construction in progress reports should be prepared and used to include current fiscal year additions in the capital asset listing. Depreciation should be calculated and recorded in accordance with state guidelines.

Inventory Clerk's Response

Control procedures will be established to maintain accurate precise records.

Board of Supervisors and Purchase Clerk

2. Management and Purchase Clerk Should Maintain Adequate Controls of Purchasing.

Finding

Section 31-7-111, Miss. Code Ann. (1972), requires the purchase clerk to maintain custody of supporting documentation for purchases of the County and deems the documentation to be public record which shall be made available for inspection during reasonable hours to any person requesting the same. In addition, management is responsible for establishing a proper internal control system to insure a strong financial accountability and safeguarding of assets. As reported in the prior year's audit report, during the testing of accounts payable expenditures, the following deficiencies were noted:

- a. Expenditures did not include all purchasing documentation such as requisitions, purchase orders, receiving reports, or invoices.
- b. All bids or quotes were not spread across the minutes documenting board approval.
- c. Purchases made on state contract were not adequately documented in the expenditure files.
- d. Invoice pre-dated all other required purchasing documentation.
- e. A project manager for one of the construction company was given power to make purchases on behalf of the County on May 2013; however, the state laws and regulations for purchases were not complied with nor was the appropriate documentation maintained for purchases made.

Due to inadequate controls surrounding accounts payables, the County is not in compliance with the Miss. Code Section 31-7-111 nor has adequate internal controls for purchasing. Failure to maintain custody of purchasing records as required by Miss. Code Section 31-7-111 and maintaining adequate controls over purchasing could result in improper payments to vendors, theft of assets, and misappropriation of funds.

Recommendation

The Purchase Clerk and the Board of Supervisors should maintain adequate controls and maintain custody of all purchasing documents as required by Miss. Code Section 31-7-111.

Board of Supervisors' and Purchase Clerk's Responses

The Purchase Clerk and Board of Supervisors will maintain custody of all purchasing documentation and ensure adequate controls are maintained.

In our opinion, except as explained in the third paragraph and except for the noncompliance referred to in the preceding paragraph, Greene County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2014.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

Greene County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended for use in evaluating the central purchasing system and inventory control system of Greene County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

July 21, 2016

GREENE COUNTY

Schedule 1Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2014

<u>Date</u>	<u>Item Purchased</u>		<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
03/03/2014	Caterpillar 430F	\$	95,010	Puckett Machinery	\$ 90,845	Interest rate was lowest with Puckett and the buy-back option was better.
08/04/2014	Backhoe	\$	98,137	Puckett Machinery	\$ 93,355	Vendor did not meet specifications and service center was 50 miles away.

GREENE COUNTY

Schedule 2

Schedule of Emergency Purchases

For the Year Ended September 30, 2014

<u>Date</u>	<u>Item Purchased</u>		<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
02/20/2014	Road Repair	\$	33,785	Herring Construction	To repair Simpson Bend Road due to wash-out of road.

GREENE COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source

For the Year Ended September 30, 2014

Our test results did not identify any purchases made noncompetitively from a sole source.



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Greene County, Mississippi

In planning and performing our audit of the financial statements of Greene County, Mississippi for the year ended September 30, 2014, we considered Greene County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Greene County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated July 21, 2016, on the financial statements of Greene County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Payroll Clerk.

1. Accurate Leave Records Not Maintained.

Finding

Section 25-3-97, Miss. Code Ann. Code (1972), states that all organizations shall keep accurate records of the leave accumulated and used by the officers and employees thereof and they shall include provisions which shall keep the employee informed on a monthly basis as to his accumulated leave balances. As reported in the prior year's audit report, during our testing of payroll and related procedures we noted the following:

- a. The County does not maintain a uniform system of vacation and sick leave, with each department setting its own policies.
- b. The Payroll Clerk does not maintain leave records for all County employees.
- c. The Payroll Clerk does not properly use the payroll system to accumulate leave balances in order to accurately report employee leave balances on a monthly basis.

Employees are receiving vacation leave in excess of that established by County's policies and continued failure to establish and implement effective leave policies could result in the County overpaying an employee for leave benefits upon separation of employment.

Recommendation

The County should establish a uniform leave system and implement effective controls over the accumulation and reporting of leave benefits to all employees on a timely basis.

Payroll Clerk's Response

We will establish a uniform leave system and reporting system.

Board of Supervisors.

2. Expenditures Should Not Exceed the Final Budgeted Amounts.

Finding

Section 19-11-17, Miss. Code Ann. (1972), prohibits expenditures, the incurrence of liabilities, or the issuance of warrants, in excess of the budget estimates as finally determined by the Board of Supervisors, or as revised under the provisions of Chapter 11, Title 19. Expenditures in the Bonds for Construction of Hospital 2011 Fund exceeded the final budgeted amounts by \$2,129 for health and welfare, \$1,922,349 for culture and recreation, and \$80,399 for debt service for a total of \$2,004,877. The approval of expenditures in excess of the budgeted amounts is in direct violation of statute and has resulted in the misappropriation of public funds.

Recommendation

The Board of Supervisors should take steps to ensure that expenditures are not incurred in excess of budgeted amounts.

Board of Supervisors' Response

Unexpected expenditures were incurred during this project. Steps will be taken to ensure this is corrected and our expenditures are not in excess of budgeted amounts.

3. Interest Income Was Not Properly Allocated Among Funds.

Finding

Section 19-9-29(c), Miss. Code Ann. (1972), states that any interest derived from investment of other bond proceeds or from investment of any bond and interest fund, bond reserve fund, or bond redemption sinking fund shall be deposited either in the same fund from which the investment was made or in the bond and interest fund established for payment of the principal or interest on bonds. Any interest derived from special purpose funds which are outside the function of the General County Government shall be paid into the special purpose fund. As reported in the prior year's audit report, the County only recorded interest earned from the County's combined checking account in the General Fund instead of allocating interest across all pooled funds. Failure to prorate interest earned among the funds included in the combined checking account could result in the funds being spent for the wrong purpose.

Recommendation

The Comptroller should prorate the interest earned on the combined checking account among all funds that have cash in the checking account, as required by law.

Board of Supervisors' Response

The Comptroller will ensure the interest is prorated and applied as required by law.

4. Controls Over Repayment of Inter-Fund Advances Should Be Strengthened.

Finding

The Mississippi Code is silent regarding the authority to make inter-fund loans. The County has inter-fund loans outstanding that are over one year old. These loans were made to cover indirect costs due from Solid Waste and to resolve cash-flow problems. However, these loans were not repaid as of September 30, 2014. Failure of the Board of Supervisors to ensure payment of these loans is an illegal diversion of legally restricted funds.

Recommendation

For any inter-fund loans made, the Board of Supervisors should approve and record in the board minutes the reason of the loan, when the loan will be repaid and the source of funds for repayment. The Board of Supervisors should ensure these old loans are paid by approving and recording in the board minutes a repayment schedule and complying with the repayment schedule.

Board of Supervisors' Response

The proper procedures for inter-fund loans as recommended will be followed.

5. The County Should Settle Additional Privilege Taxes on Carriers of Property and on Buses to the County's School District and All Appropriate Taxing Districts.

Finding

Section 27-19-11, Miss. Code Ann. (1972), states that Counties shall distribute proceeds from tax on carriers of property and on buses as they would if these collections were ad valorem taxes. During the testing of the County's settlement of additional privilege taxes submitted from the Mississippi State Tax Commission, it was noted that the County did not settle these taxes to all taxing districts not the County School District. Instead, these funds were only settled in the County's Road Funds. Failure to settle the additional privilege taxes to the appropriate taxing districts and the County School District is a violation of Section 27-19-11 and could result in the misappropriation of public funds.

Recommendation

The Board of Supervisors should comply with Miss. Code Section 27-19-11 to ensure all additional privilege taxes received from the Mississippi Tax Commission are settled to all appropriate taxing districts and the County's School District as if they were ad valorem taxes.

Board of Supervisors' Response

We will ensure all additional privilege taxes are settled appropriately.

6. Greene County Needs to Replace Obsolete Computer Hardware and Software.

Finding

Greene County is running operating systems as well as application on some of its personal computers (PC's) that might not be supported vendors thereby creating unnecessary risk for Greene County information assets.

Recommendation

We recommend that Greene County develop a plan to replace the operating systems, applications, and hardware where necessary that is associated with lack of support from vendors as soon as possible. Computers that originally included operating systems or applications that are no longer supported by vendors will have hardware that most likely cannot run the newest operating systems or applications, thereby requiring replacement of hardware, operating systems and applications in many cases. Due to the possible large number of PCs that need replacing, this procedure could involve a sizable expenditure by the County. Due to the cost and effort involved in such a project, this project should start as soon as possible.

Board of Supervisors' Response

We are currently working on this plan and hope to have it in place in the near future.

7. Greene County Should Establish and Test a Disaster Recovery Process.

Finding

Management is responsible for establishing an internal control system to ensure a strong financial accountability by safeguarding its information systems. During our review of the information systems of Greene County, we noted that the County has not established a disaster recovery process. As a result, Greene County cannot fully ensure that the County's Information Systems can be restored in a timely manner. Disaster recovery involves defining and documenting plans to help sustain and recover critical information technology resources, information systems, and associated business functions. Control Objectives for Information and Related Technology (CobiT, Section DS4), as well as recognized industry best practices require a written disaster recovery plan could impede the agency's ability to regain computer operations in the event of a disaster.

There are a number of steps that an organization can take to prevent or minimize the damage to automated operations that may occur from unexpected events. One example is routinely backing up data files and programs periodically restoring these files and programs as a part of a formal, documented disaster recovery exercise. Such actions maintain the organization's ability to restore data files, which may be impossible to re-create. In the specific case of Greene County, there seems to be some confusion about the responsibilities of various IT vendors, as well as the responsibilities of Greene County personnel in relation to such matter as backup procedures. These responsibilities include items such as removing tapes from backup units, taking backup tapes offsite, rotating tapes onsite, etc. In addition, there is confusion as to the types of backups that should be created and the frequency that these various backups should be created. Greene County is currently using an automated system to perform daily back-ups of the AS400, but is not restoring such files as part of a formal, documented disaster recovery exercise.

Without proper assurance that backup files can be utilized to adequately restore all critical data in a timely manner in the event of disaster scenario, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's building and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated. In the specific case of Greene County, there seems to be some confusion about the responsibilities of various IT vendors, as well as the responsibilities of Greene County personnel in relation to such matter as backup procedures. These responsibilities include items such as removing tapes from backup units, taking backup tapes offsite, rotating tapes onsite, etc. In addition, there is confusion as to the types of backups that should be created and the frequency that these various backups should be created. Greene County is currently using an automated system to perform daily back-ups of the AS400, but is not restoring such files as part of a formal, documented disaster recovery exercise. Without proper assurance that backup files can be utilized to adequately restore all critical data in a timely manner in the event of disaster scenario, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's building and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated

Recommendation

We recommend that Greene County develop, implement, and test a plan to ensure that critical data and applications are recoverable in case of disaster scenario. In order to do this it will be necessary to gain an understanding from vendors involved in the backup process of the types of backups that should be created, on what frequency these backups should be created, the processes necessary to create the various types of backups and the responsibilities of the various parties involved, including Greene County personnel and vendor personnel. Furthermore, these procedures and responsibilities should be documented and agreed upon by all parties involved. We also recommend that Greene County develop and implement a disaster recovery plan documenting procedures to be followed during an emergency. Once the plan is completed, it should be subjected to proper testing, and employees should be made aware of their responsibilities in the event of a disaster. The plan should be stored in a safe, accessible location and updated when needed in order to maintain readiness for a disaster scenario.

Board of Supervisors' Response

We will work with IT to develop, implement, and test this plan as recommended.

8. Greene County Should Implement a Formal Information Security Policy.

Finding

Management is responsible for establishing an internal control system to ensure a strong financial accountability by safeguarding its information systems. Greene County has not adopted a formal Information Security Policy or Enterprise Security Plan. The lack of a formal Information Security Policy can lead to a breakdown of basic security practices in the areas of application security, LAN/WAN security, management of the security application and Internet protocol.

Recommendation

A robust set of Information Technology Policies should cover at least the following areas:

- Acceptable Use
- Portable Computing
- Change Management
- Encryption
- Security Incident Response
- Risk Management
- Backup and Recovery
- Business Continuity/Disaster Recovery

While full compliance with all facets of such a policy may be an economic challenge for Greene County, beginning steps to become compliant with a policy covering areas such as those listed above are necessary. We recommend that Greene County create a plan of compliance with industry standards to ensure progress towards a robust documented information security plan. This policy should be reviewed and approved by County Supervisors. In addition, employees that utilized technology should review and accept such policies before access to computer resources is granted to employees. Proof of approval, by management and acceptance by employees should be retained for review by auditors.

Board of Supervisors' Response

We will work toward beginning a policy as recommended and ensure we include as many facts as possible.

Circuit Clerk.

9. The Circuit Clerk Should Be Bonded For the Proper Amount.

Finding

Section 9-7-121, Miss. Code Ann. (1972), requires the Circuit Clerk to be bonded in an amount equal to 3% of the sum of all State and County taxes shown by the assessment rolls and levies to have been collectible in the County for the year immediately preceding the commencement of the term of office, not to exceed \$100,000. As reported in the prior years' audit report, the Circuit Clerk's bond was executed for \$80,000. This would limit the amount available for recovery if a loss occurred.

Recommendation

The Circuit Clerk should execute a current bond for \$100,000 as required by law.

Circuit Clerk's Response

This has been corrected and the current bond is for \$100,000 as required.

Payroll Clerk.

10. Retirement Withholdings Were Not Applied To All Required Employees

Finding

Section 25-11-105, Miss. Code Ann. (1972), requires that all services that constitute employment as defined in this Code Section and are performed in the employment of the political subdivision or instrumentality, by any employees thereof, shall be covered by the plan (Retirement Plan). As reported in the prior year's audit report, during our testing of payroll, we noted that one official is being paid a full-time salary with retirement, while at the same time being employed by the County on a part-time basis, with no retirement being withheld. Misclassification of employees could result in excess payments is being paid to employees and unknown pension liabilities.

Recommendation

The payroll clerk should ensure that all employees are correctly classified and fringe benefits are being appropriately allocated to wages earned.

Payroll Clerk's Response

The payroll clerk will ensure employees are classified correctly and fringe benefits are appropriately allocated.

Sheriff

11. Inadequate Internal Controls were noted in the Sheriff's Office

Finding

An effective system of internal control should include an adequate segregation of duties. As noted in the prior year's audit report, the collection, recording, depositing, and disbursement of funds are not adequately separated. The bookkeeper collects, records, deposits, and disburses funds in the Sheriff's Office. Failure to adequately segregate duties in the Sheriff's Office could result in the loss of public funds.

Recommendation

The Sheriff should implement effective internal control policies that allow for the proper segregation of duties regarding the collection, recording, and disbursing of cash.

Sheriff's Response

The Sheriff will review all money and receipts every month.

Greene County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

July 21, 2016

GREENE COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

GREENE COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2014

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|------------|
| 1. | Type of auditor's report issued: | |
| | Governmental activities | Qualified |
| | Business-type activities | Qualified |
| | General Fund | Unmodified |
| | Bonds for Construction of Hospital 2011 Fund | Unmodified |
| | Solid Waste Fund | Qualified |
| | Aggregate remaining fund information | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiencies identified? | Yes |
| 3. | Noncompliance material to financial statements noted? | Yes |

GREENE COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2014

Section 2: Financial Statement Findings

Inventory Control Clerk.

Material Weakness

Material Noncompliance

2014-001. The County Should Maintain Adequate Capital Asset Subsidiary Records.

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the County to develop and maintain an inventory control system. As reported in the prior eleven years' audit reports, capital asset control procedures were inadequate for maintaining an accurate inventory or adequate subsidiary records documenting the existence, valuation, and completeness of capital assets. We noted the following deficiencies in the policies and procedures of the internal control structure for capital assets:

- a. The list of County capital assets did not agree to the indicated total assets values of the prior years' balances.
- b. Net capital asset adjustments totaled \$1,077,896 (governmental activities) and \$61,873 (business-type activities) to reconcile to the available County's inventory listing.
- c. Observations during our test of additions revealed:
 1. \$4,547,339 in governmental activities capital assets not included in the acquisition ledger; and
 2. \$79,572 in governmental activities capital assets the purchase of which was not authorized by the Board of Supervisors.
- d. Depreciation expense is not recorded for governmental activities and the maintenance of depreciation is inconsistent with state guidelines.
- e. Observations during the audit existence and completeness test revealed that several assets were sold and were still on inventory while several other items were found in the field test that we could not locate on the inventory listing.
- f. Observation during the audit existence test revealed that there were several assets that did not have County decals on them.

Therefore, the Independent Auditor's Report on the governmental activities, business-type activities, and Solid Waste Fund financial statements are qualified because we were unable to satisfy ourselves as to the fair presentation of the County's investment in capital assets. The failure to maintain an effective inventory control system could result in the reporting of inaccurate amounts and increases the possibility of loss or misappropriation of public funds.

Recommendation

The Board of Supervisors should establish control procedures to ascertain the historical and/or estimated cost of capital assets and to maintain accurate inventory records documenting the existence, valuation, and completeness of capital assets. Construction in progress reports should be prepared and used to include current fiscal year additions in the capital asset listing. Depreciation should be calculated and recorded in accordance with state guidelines.

GREENE COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2014

Inventory Control Clerk's Response

Control procedures will be established to maintain accurate precise records.

Board of Supervisors.

Material Weakness

- 2014-002. The County Did Not Maintain Adequate Subsidiary Records Documenting Revenues/Expenditures for Federal Grants Received.

Finding

An effective system of internal control over federal grants should include adequate subsidiary records documenting all revenues and expenditures relating to each federal grant received. The County did not report all federal grant expenditures on the Schedule of Expenditures of Federal Awards for the year ended September 30, 2014. As a result, several corrections were proposed by the auditor and made the by the County to the Schedule of Expenditures of Federal Awards. The failure to properly complete the Schedule of Expenditures of Federal Awards increases the possibility of reporting incorrect amounts of federal expenditures, as well as possibility of excluding a federal grant on the Schedule of Expenditures of Federal Awards.

Recommendation

The County should properly maintain adequate subsidiary records documenting all revenues and expenditures relating to each federal grant received.

Board of Supervisors' Response

We will ensure documented records are maintained relating to each federal grant.

Material Weakness

- 2014-003. Inadequate Controls Over Reporting Restricted Cash Accounts.

Finding

Adequate internal control procedures regarding restricted cash accounts and proceeds from bonded debt include proper recording of cash accounts in the general ledger and timely reconciliations of accounts. As reported in prior years, the Comptroller is not recording the restricted cash accounts in the general ledger or reconciling the balances of these accounts. As a result of audit procedures, we observed that the Debt Service Reserve and the General Account Funds with balances of \$376,495 and \$6, respectively, were not properly recorded in the general ledger or reconciled to the monthly statements. Without adequate internal controls in place over restricted cash accounts bearing the County's name as well as reconcile those accounts in a timely manner.

Recommendation

The County should implement internal controls that include the recording of all restricted cash accounts bearing the County's name as well as reconcile those accounts in a timely manner.

GREENE COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2014

Board of Supervisors' Response

Internal controls will be implemented as recommended.

Material Weakness

2014-004. Inadequate Controls Over Recording of Revenues

Finding

An effective system of internal controls should include accurate recording of revenues in accordance with the Mississippi Financial Accounting Manual. As reported in the prior two years, numerous reclassifying journal entries were made to post revenues to the correct general ledger account. Without adequate controls in place over the recording of revenues, the risk increases that inaccurate information may be reported and loss or misappropriate of public assets could occur.

Recommendation

We recommend the comptroller closely follow the Mississippi Financial Accounting Manual.

Board of Supervisors' Response

The Comptroller will follow the Mississippi Financial Accounting Manual.

Significant Deficiency

2014-005. Greene County Should Expire All Individual's Passwords On a Periodic Basis.

Finding

Generally non-expiring passwords should be reserved only for system task which could require continuous service. Inquiry about Greene County's Active Directory security settings revealed some user's passwords were set to never expire. Otherwise, all passwords should be set to expire in accordance with policy to be determined by Greene County.

Recommendation

Expiring passwords on a periodic basis is an industry best practice.

Board of Supervisors' Response

We will ensure all passwords are set to expire periodically.

Significant Deficiency

2014-006. Greene County Should Be Strengthen Its Passwords.

Finding

During our review, we noted that Greene County is using some parameters associated with password strength that do not meet industry standard best practices. However, the County has some password parameters that would not meet these standards, thereby creating unnecessary risk for Greene County information assets.

GREENE COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2014

Recommendation

We recommend that Greene County improves its password strength by changing password parameters to comply with password management best practices and industry standards.

Board of Supervisors' Response

We will work with IT to ensure all passwords are strong for maximum security.